

Comments on CAISO's Contingency Modeling Enhancements CRR Alternatives Discussion Paper

February 19, 2016

On February 11, 2016, at the Market Surveillance Committee meeting, CAISO presented and discussed the Contingency Modeling Enhancements (CME) Congestion Revenue Rights (CRR) Alternatives Discussion Paper. California Department of Water Resources State Water Project (CDWR) appreciates the opportunity to submit comments.

Comments:

CDWR does not support the implementation of the Contingency CRR (CCRR) product, CDWR is concerned that the CAISO's proposal would have more negative impacts than benefits on CRR Revenue Adequacy since it will add more CRRs to the CRR Market. Previous CAISO analysis has shown that the addition of new CRRs to the CRR system would increase the chance of negatively impacting the CRR BA Revenue Adequacy. CDWR suggests that CAISO focus its efforts on ensuring CRR Revenue Adequacy by resolving issues with the Counter Flow CRR as described in the Stakeholder catalogue, and then focus on additional methods for ensuring CRR Revenue Adequacy such as those methods that have been proposed by the CAISO's DMM. Another possible method to reduce or eliminate CRR BA Revenue Adequacy and the costs that are passed on to LSEs would be to separate the CRR Balancing Accounts for the Auction and the Allocation. Since many participants in the auction are not LSEs they do not face the full negative impacts of the CRR BA revenue shortages, meaning they can reap the rewards without shouldering the increased financial burden of the shortages that LSEs are charged.